

**A REVIEW OF THE TENCH FRANCIS SCHOOL OF
BUSINESS ADVANCED MANAGEMENT PROGRAM
(AMP) UTILIZING PORTER'S 5-FORCES MODEL AND
A BALANCED SCORECARD APPROACH.**

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Background. Executive education programs are essential to maintain an innovative, efficient, and operationally ready Navy. Limited financial resources require the Navy and DOD as a whole to adopt business strategies through global resourcing and benchmarking while adapting in a world of dynamic changes in technology and information management. This can only be achieved by empowering the Navy's military and civilian workforce through education with those management skills and thought processes needed in the 21ST Century to maximize value for the country's investment in its military. While great strides in education are being achieved through attendance at graduate level programs for our O-3/O-4s, civilian career development, and Executive Training Programs attended by our O-6s, more can be accomplished for the development of our O-5s and GS 13/14s. An analysis of a typical military career path revealed a 10 to 13 year gap in which no educational opportunities are provided. This "Education Gap" between Graduate Education and Senior ETP, prevents the Navy from routinely keeping abreast of the corporate world's business process changes.

The AMP, a three-week course located at the Navy Supply Corps School (NSCS) in Athens, GA, seeks to meet the Navy's need for mid-level management program specifically designed for the middle managers. As noted in a recent two-day forum in June at the Naval War College, Secretary of the Navy Gordon R. England projected the need for naval officers to be businessmen with military titles. This paper uses Porter's 5-Forces Model and a Balanced Scorecard to assess the business case for conducting the AMP at the Tench Francis School of Business.

Porter's Five Forces Model

"The essence of strategy formulation is coping with competition". That quote is by Michael Porter, a recognized expert in business strategy whose concept on market forces is widely taught in business schools throughout the country. Porter describes 5 basic forces that impact any market and the collective effect of these forces that managers need to be aware of and analyze to assist them in business decisions.

We will now apply this model to assess the executive business education marketplace and the viability of AMP as a proposed new entrant. These forces are addressed below:

Buyer Power – the Relative Bargaining Power of Buyers: If buyers have power, they are capable of reducing market profits by forcing a reduction in market prices. Relative buying power is highest when there are only a few powerful buyers dominating market consumption. In the executive business education marketplace, the relative power of buyers is low and, therefore, the Navy does not bring large enough market demand to be an effective force to lower prices. There is potential growth of the buyer pool to include other DOD and Federal Government

agencies, but it is unlikely that this will affect future market dynamics.

Supplier Power – the Relative Bargaining Power of suppliers: Theoretically, if a supplier has high bargaining power, it can squeeze profits from market participants by raising prices or decreasing quality. Generally, if there are relatively few suppliers, then their bargaining power is high. In the executive business education marketplace, supplier power among top tier business schools is high due to the demand of the courses and their brand names. An example of supplier power is the Kenan-Flagler MBA program, which receives about 5000 applicants every year for 250 seats.

Threat of substitute products or services entering the marketplace: An example of a substitute is Pepsi for Coca-Cola. The likelihood of substitute executive business training is low. Education is a process that technology will not replace. Substitute forms of delivery are emerging, but not yet widely accepted in this marketplace. For top-tier business education, there is no current substitute for classroom delivery by top-tier educators.

Industry Rivalry: In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a comparative and competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences. Economists measure rivalry by indicators of industry concentration. The Concentration Ratio (CR) is one such measure. The Bureau of Census periodically reports the CR for major Standard Industrial Classifications (SIC's). In the case of the professional and management development training industry (of which executive business education is a subset), in 1997 there were 2,690 competitors in the market place. The top 50 held only 48% of the market volume, and the top 4 held only 17%. In other words, this industry has a low CR, and industry concentration alone is not a barrier to entry.

Barriers to Entry – the Relative Difficulty for New Products to enter the Industry: The executive business education marketplace poses particularly imposing barriers to entry such as capital costs for buildings and support equipment as well as a high learning curve for the expertise required of a top-tier MBA educator. AMP avoids these barriers by outsourcing faculty from top-tier business schools and with excess facility capacity at NSCS.

Five Forces Summary: In summary, AMP, as a proposed new entrant in the executive business education marketplace appears to be sustainable based on our five forces analysis. In this marketplace, the Navy seeks to obtain top-tier executive business education at an affordable cost. The bargaining power of suppliers is high; the bargaining power of buyers is low. There are no low cost top-tier substitutes. The capital and learning curve costs

are high, but AMP overcomes these barriers utilizing excess capacity at the NSCS and by bringing in educators from top-tier business programs.

BALANCED SCORECARD

The balanced score card is a management system, developed by Drs. Kaplan and Norton, which enables organizations to clarify their vision and strategy and translate them into balanced action. This approach provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When properly employed, the balanced scorecard transforms the strategic planning process from an academic exercise into a dynamic process where organizations can create future value through investment in customers, suppliers, employees, processes, technology and innovation.

Metrics and their collection play a very important role in balanced scorecard analysis. Other than some financial metrics, the Commanding Officer indicates that most data to analyze AMP's success or failure will be collected via survey. These surveys will be accomplished in four different ways: 1) Weekly feedback from the student when in session, 2) End of the course, 3) Periodic surveys of the student after completion, and 4) Periodic surveys of the student's command after completion. These tools are important and must be appropriately designed in an effort to achieve centered and accurate feedback. This is not to say the survey should guide toward desired answers but that questions must be direct enough to facilitate course improvement and therefore caution must be exercised in the design. The design agents should be those closest to the course due to the unique mission of the course. Additionally, to facilitate a high percentage of responses the surveys, they should be kept to a minimal length to allow completion within 10-15 minutes. Metrics should be developed for each perspective of the scorecard and this paper will make recommendations as to some of the metrics to collect.

Financial Perspective - This has been the traditional way of looking at success in most organizations. From this perspective it is important to view performance as viewed by the Stakeholder. Satisfied and loyal stakeholders lead to increased resources for the organization. The Commanding Officer (CO) of the Naval Supply Corps School (NSCS) has actively engaged the prospective resource sponsor of this program to ensure that the vision for this course is shared. He has provided a background analysis on the utility and benefit of the course and future plans include cost analysis and Return on Investment (ROI) data. It is noted that stakeholder perception of ROI of the Course is extremely important for the success of the program. A significant part of the cost analysis for this course involves comparison with similar civilian education programs. This information should be captured in a metric that

compares average cost per day of AMP and other executive programs because of differing lengths. This metric should remain negative over time to demonstrate that NSCS is the low cost producer.

The AMP course currently capitalizes on underutilized facilities, services and administrative support. Should utilization increase to the point where other opportunities are lost the costs should be incorporated into the average cost per day of AMP. In order to determine ROI data the following should be considered: 1) Formulate and implement strategy in today's ever-changing environment, 2) use of the e-business world, 3) Incorporate experiences into a broadened policy-level perspective, and 4) develop and lead networks of people.

Customer Perspective - The customer is the AMP student and the commands they represent. It is especially important today to develop managers who have a broad range of skills that enable them to think strategically in both the function and business of the Navy. While much effort has gone into the modernizing of our military forces, many of the business processes have remained static. The Navy's senior leadership recognizes that business processes must change in order to maximize monetary savings and right size the force structure. The students of AMP are exposed to many of these process "improvers" throughout the three weeks of AMP. The metrics collected in this perspective should include: 1) the student's view of the value/appropriateness of material taught and 2) any stakeholder's view of the value/appropriateness of the material taught.

Internal Perspective - This segment allows the managers to know how well the business are running and whether its product and services conform to customer requirements (the mission). A review of this area is required in the following two areas: Support Processes and Mission Related Processes.

The Support Processes are easier to measure and provide immediate customer feedback. "Metrics" is obtained from informal feedback with the class coordinators and a weekly feedback report. The weekly feedback report is written critiques provide by each student for both mission related and support processes. While this feedback is qualitative in nature the Commanding Officer and his staff personally review each critique and take immediate corrective action. One additional metric, which would be recommended, is the tallying of common deficiencies from class to class, which would enable the staff to monitor trends.

The Mission Related Processes area is the more important of the two areas. This area is divided into two sections: relevance of material taught and customer needs. The relevance of material taught is probably the hardest to pinpoint. The structure of the curriculum is expected to be dynamic based on current business trends. The relevance of material taught is created by the selection of instructors. AMP selects instructors from the ranks of

nationally recognized business school professors and their consulting roles with national corporations ensure topic relevance. Had AMP chosen instructors from the Department of the Navy or Department of Defense the possibility of currency would pose a significant risk to the relevance. The metrics collected should include: 1) any identified deficiency as noted by the customer/stakeholder and 2) the appropriateness of the material as identified by the instructors.

Applied Learning - This perspective encompasses the organization's ability to develop and manage the knowledge resident within the employees of the organization. In applying the balanced scorecard to the Navy, the group looked at the current status of knowledge management within the organization and identified metrics to capture knowledge management performance. The Navy's ability to successfully adapt and respond to increasing pressures to modernize business processes are largely dependent on how well these managers is developed.

Current efforts to modernize the Navy's business processes include both Enterprise Resource Planning (ERP) initiatives and E-Business solutions. Education forms the foundation for successfully accomplishing these business process improvements. It's not enough to take the best commercial business practices and attempt to implement them in the Navy's current organizational environment, to be successful the Navy must possess the knowledge necessary to make the implementation a success.

The genesis for AMP is the "Education Gap" for the Navy's middle managers. Sadly, these same managers are largely responsible for overseeing and implementing solutions to improve the Navy's business processes. Thus the Gap comes at a critical time when knowledge of current business practices can make the difference between a successful business process improvement and a costly failure.

Two effectiveness metrics that should be implemented to measure AMP's ability to develop and manage the knowledge resident within the organization: 1) anecdotal feedback and 2) any quantifiable savings achieved through implementation of processes learned in the AMP.

Summary: Based on the application of Porter's Five Forces Model the AMP is evaluated as an effective strategic alignment of education resources with the needs of the Navy. The application of the Balanced Scorecard to AMP will help ensure a continuous focus on the critical stakeholders of this program to ensure its future success.